

THE PRINCIPLES OF THE CODE OF CONDUCT

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INTRODUCTION

Purpose of the Code of Conduct

To comply with its legal obligations, KNDS France & Subsidiaries have adopted a Code of Conduct, which forms the cornerstone of their policy to prevent the risk of corruption and influence peddling in their activities.

In this booklet, employees will find precise definitions and learn about the signs to recognise a risk situation, as well as the behaviour to adopt to prevent the risk of corruption in their professional activities.

Some employees, because of the nature of their work, are more frequently exposed to risk than others. However, any employee may be confronted with a request or an ambiguous situation and must know and follow the Code of Conduct. In general, employees are asked to reflect carefully and to rely on their common sense and sound judgement in order to adopt the appropriate behaviour.

Precautionary principle

Employees must apply the precautionary principle in each of their actions. They must routinely assess the risk implied by their actions and adopt measures to prevent it.

In practice, to act in accordance with the precautionary principle, employees must ask themselves the following questions to be able to make informed decisions:

- Do I have to apply an internal procedure or policy?
- What are the direct and indirect risks of this action?
- Could this action harm the image of KNDS France & Subsidiaries?
- If in doubt, should I discuss or take advice on the legality of this action?
- What steps can be taken to prevent the risk?

The management relays the precautionary approach by endorsing it and ensuring that it is understood and implemented. They provide information to their employees and ensure that they are trained. They are the point of contact in case of doubt, but they also exercise a duty of vigilance, detect risks and check compliance with the Code of Conduct within their team. Any breach of the Code of Conduct is likely to be sanctioned by disciplinary measures as provided for in internal regulations. The disciplinary measures applied will depend on the nature and seriousness of the breach of the Code of Conduct.

TO UNDERSTAND

The following definitions and illustrations are intended to be educational so that everyone can better understand these concepts.

Corruption and Influence peddling:

Corruption (or bribery) (active and passive) and **influence peddling** (active and passive) are **criminal offences**.

They are **punishable by imprisonment** which may be accompanied by a **fine and additional penalties** (such as loss of civic, civil and family rights or a ban on certain business activities). These penalties are applicable to both legal entities and individuals, i.e. KNDS France & Subsidiaries and their employees.

What is corruption?

Corruption occurs when an individual or a company offers a benefit of any kind to a person to act or refrain from acting in the exercise of their duties, thus granting them an undue favour. Any person who holds a specific position (public or private), and who solicits, accepts or receives a benefit of any kind in exchange for a favour is also guilty of corruption.

Benefit of any kind: this could be a donation, a gift, a loan, a promise, a benefit in kind, etc.

Undue favour: this could be an action or simply refraining from carrying out an action falling within the duties of the corrupt person.

Did you know? Even if it is not carried through, merely promising to give a benefit of any kind in order to obtain a favour is likely to be regarded as an act of corruption and penalised as such.

For example, a person who promises a prospect to give an internship to one of their relatives to encourage the prospect to sign a contract commits an act of corruption.

- **benefit of any kind:** internship
- **undue favour:** signing of contract
- **person with a specific position:** the prospect who has the power to sign the contract or not sign it.
- **corrupt person:** the prospect
- **corrupter:** the person who gives a benefit of any kind

The date on which these donations, gifts or services are provided is irrelevant. It does not matter whether it was provided before or after obtaining the favour sought and has no influence on its criminal classification.

Acts of corruption may be classified according to their nature as active or passive, direct or indirect, private or public, and foreign or domestic.

Active corruption / Passive corruption

- A person who gives a benefit of any kind in order to obtain an undue favour is guilty of **active corruption**, regardless of the person who initiated the approach.
- A person who solicits, receives or accepts a benefit of any kind is guilty of **passive corruption**.

Public corruption/ Private corruption

- **Public corruption** involves **public officials**. This includes cases where the representative of a company pays a sum of money to a public official to prevent or accelerate a procedure.

In France, bribing a public official is punished more severely than bribing a private partner.

“Public official” covers all members of the public authorities, regardless of their place in the hierarchy, whether they are French or foreign. Public officials are figures of public authority: employees of any government agency, persons charged with a public service function and elected officials. Public officials include, in particular, ministers, judges, ambassadors, civil servants, national or foreign members of the military, members of a committee in charge of awarding public contracts and international civil servants (NATO, UN, European Union, for example).

- **Private corruption** involves private sector players (companies, associations or individuals)
“Private partner” means any natural person (individual) or legal entity under private law (companies, associations, etc.) independent of the company, also known as a third party. Example: suppliers, subcontractors, customers, consultants, business partners, industry partners, patronage and sponsorship recipients, etc.

Direct corruption/ Indirect corruption

- **Direct corruption** is carried out by the briber and without any third-party intervention.
- **Indirect corruption** is carried out through a third party. The third party gives a benefit of any kind to an individual or legal entity in exchange for an undue favour.

The company is also criminally responsible in cases of indirect corruption.

Indirect corruption schemes may involve multiple companies, sometimes located in non-transparent jurisdictions.

Domestic corruption / Foreign corruption

- **Domestic corruption** is committed within the country concerned and exclusively involves national third parties.
- **Foreign bribery** is committed outside the country concerned.

What is influence peddling?

Influence peddling is promising a benefit of any kind to someone for **using their influence through a third party** in order to **obtain a decision or a favourable opinion**, whether the influence is real or implied.

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In corruption, the corrupt person takes the decision. In influence peddling, the corrupt person uses its influence with the public authority or agency that has the power to take action or refrain from taking action.

For example, a person who bribes a public official to influence a decision in favour of KNDS France & Subsidiaries commits an act of influence peddling.

In the same vein as for corruption, **active influence peddling** refers to a situation where a person promises a benefit of any kind in order to obtain a favourable decision. Conversely, a person receiving the benefit is guilty of **passive influence peddling**.

Influence peddling is more severely punished when committed by a public official.

3 TO ACT

To prevent corruption effectively, KNDS France & Subsidiaries have implemented various processes to regulate its activities. Employees must apply them daily in their work.

Partners Selection

Knowing your partners, whether suppliers, customers, intermediaries, industrial partners, joint ventures, consultants or any other third parties, is **essential to prevent the risk of corruption**, including indirect corruption.

KNDS France & Subsidiaries' principles are applicable to all their partners, and the company has put in place specific and rigorous policies for selecting partners, to ensure that they are reliable and comply with KNDS France & Subsidiaries' integrity requirements.

Partners are subject to pre-contractual checks called "due diligence". Among other things, this is to check their reputation and ensure compliance of their business practices with KNDS France & Subsidiaries' requirements. All contracts concluded with these parties contain a clause requiring the contractual partner to comply with anti-corruption obligations.

Concluding contracts with business partners (sometimes called business intermediaries, business consultants, or distributors) involves specific risks. KNDS France & Subsidiaries have therefore implemented a very strict policy regulating the selection, verification and payment, where applicable, of this type of partner.

Gifts and Hospitality

Gift: means any benefit (monetary or otherwise), payment, service or donation offered to third parties or received from a third party, of any kind whatsoever.

Hospitality: refers to any meal, accommodation, journey or travel, regardless of the mode of transport, seminar, convention, trade fair or invitation to a sporting or cultural event, whether offered or received.

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In the business world, offering and receiving gifts or hospitality is a common and legal practice, according to applicable legislation. Offering a gift or hospitality, however, in particular to a public official, may be considered or constitute an act of corruption or influence peddling.

The Gifts and Hospitality Policy strictly regulates the grant or reception of gifts and hospitality, which should under no circumstances be done in order to obtain a benefit of any kind or influence the outcome of a business decision.

In any event, gifts and hospitality must be offered in accordance with the law and rules applicable to the recipient.

The criteria for knowing whether it is possible to offer a gift or hospitality include, among others, **the applicable law, the nature and value of the gifts and hospitality, their frequency, the circumstances in which they are made, and transparency towards line management.**

Donations, Sponsorship, and Political contributions

Donations correspond to contributions (in cash, in kind or skills) without equivalent consideration, whether direct or indirect, granted to an organisation to support a general interest project.

Sponsorship is material support for an event, a person, a product or an organisation with a view to deriving a direct benefit.

Donations and sponsorship operations may be diverted from their original purpose and conceal the award of an undue benefit to an entity or individual, which constitutes an act of corruption or influence peddling.

KNDS France & Subsidiaries have established rules and procedures to monitor this activity and ensure that it participates in a **relevant and consistent cause** in view of the company's business and its citizenship commitments to civil society.

Under this policy, employees must ensure that the donation is consistent with KNDS France & Subsidiaries' activities, its **reasonableness**, and verify the **identity of the ultimate beneficiary**. An agreement must always be signed with the beneficiary.

KNDS France & Subsidiaries prohibit any political contributions, even in countries where this is permitted by local legislation.

Conflicts of interest

A conflict of interest refers to a situation in which the **personal interest of an employee is likely to influence or appear to influence the performance of his/her duties**.

It may concern the private, financial or professional interest of an employee or a relative.

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A conflict of interest situation exists when the personal interest of a KNDS France & Subsidiaries employee is in contradiction with KNDS France & Subsidiaries' interests and appears to influence the objective and impartial performance of his/her professional duties.

Employees must therefore avoid finding themselves in a conflict of interest situation.

Any situation that may present a conflict of interest must be reported to the line management to determine the course of action to be taken.

Facilitation Payments

Facilitation payments are **sums of money, often of low value, paid to a public official with the aim of facilitating, accelerating and ensuring the smooth operation of an administrative procedure for which KNDS France & Subsidiaries may legally qualify.**

This can include obtaining a visa, administrative authorisation, a licence or speeding a customs clearance procedure.

KNDS France & Subsidiaries prohibit facilitation payments, even in countries where this practice is tolerated.

4 WHISTLEBLOWING PROCEDURE

In accordance with applicable laws and regulations, an internal whistleblowing system is in place within the Group, and alerts are received by the Chief Compliance Officer.

This whistleblowing system is **confidential**, and it is intended for employees who wish in good faith to report **behaviour or situations which contravene the Code of Conduct.**

Whistleblowing cannot expose the employee to sanction, even if, after an investigation, the facts prove to be inexact or do not require further action. In any case the whistleblower is informed upon receipt of the alert and of the follow-up measures.

5 GO FURTHER

KNDS France & Subsidiaries regularly organise **training and awareness-raising sessions** to allow all employees to have the knowledge and tools to **prevent corruption on a daily basis.**

In addition to the awareness-raising and training provided specifically to newcomers and employees who may be exposed to the risk of corruption, employees can ask the Compliance Department for complementary training.

This document has a purely instructional purpose. The reference documents are the KNDS Ethics Charter ([KFS-CP-10-IN00-OR01_EN](#)) and the KNDS France & Subsidiaries Code of Conduct ([KFS-CP-10-IN01_EN](#)) appended to the internal regulations.